

Highlights

This issue of the *Natural Gas Monthly* contains estimates of natural gas data through November 2000 for many data series at the national level. National-level natural gas prices are available through July (electric utilities), August (residential, commercial, and industrial), or October (wellhead). State-level data are generally available through August 2000. Also, there are revisions of several of the 1999 monthly data series. (See the box below.)

Highlights of the most recent data estimates contained in this issue are:

- Cumulative dry natural gas production through November 2000 is estimated to be 17,129 billion cubic feet, virtually the same as in 1999 for the same period. As the first month of the heating season comes to a close, production for November is estimated to be 1,534 billion cubic feet or 51.1 billion cubic feet per day, nearly 1 percent more than production for November 1999.
- Concerns about the levels of natural gas in storage continued as the 2000-2001 heating season began. Working gas in underground storage fa-

Adjustment of 1999 Monthly Data

This issue of the *Natural Gas Monthly* contains revisions of several of the 1999 monthly data series. These data series have been revised so that their totals for the 12 months of the year agree with the annual totals shown in the *Natural Gas Annual 1999*. The data series that were adjusted to annual totals are: natural gas production, wellhead prices, underground storage injections and withdrawals, consumption, and consumer prices.

The revisions are the result of an adjustment process that is performed each year when data received from an annual census of respondents become available. Before the process begins, all revisions and corrections that had been received throughout the year are included in the monthly base figures. Then the annual adjustment process aligns the monthly estimates for sectoral consumption, sectoral prices, and underground storage injections and withdrawals, which had been developed using monthly survey information, to agree with the annual summaries of data reported on the Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and published in the *Natural Gas Annual 1999*. Natural gas production and wellhead prices are also revised using the best information obtained from producing States and the U.S. Minerals Management Service.

There are some differences between annual totals shown in this report, the *Natural Gas Monthly*, and those shown in the *Natural Gas Annual 1999*. An error was identified in the volume of extraction loss for 1999. In the *Natural Gas Annual 1999*, total extraction loss is shown as 901 billion cubic feet. The correct number is 973 billion cubic feet as shown in Tables 1 and 2 of this issue of the *Natural Gas Monthly*. The resulting dry production level has also been adjusted from 18,695 billion cubic feet in the annual report to 18,623 billion cubic feet in the monthly report. In addition, errors in consumption volumes have also been identified since the release of the *Natural Gas Annual 1999*. The corrected volumes by sector in several States and corresponding U.S. totals are shown in this report and do not match those in the *Natural Gas Annual 1999*.

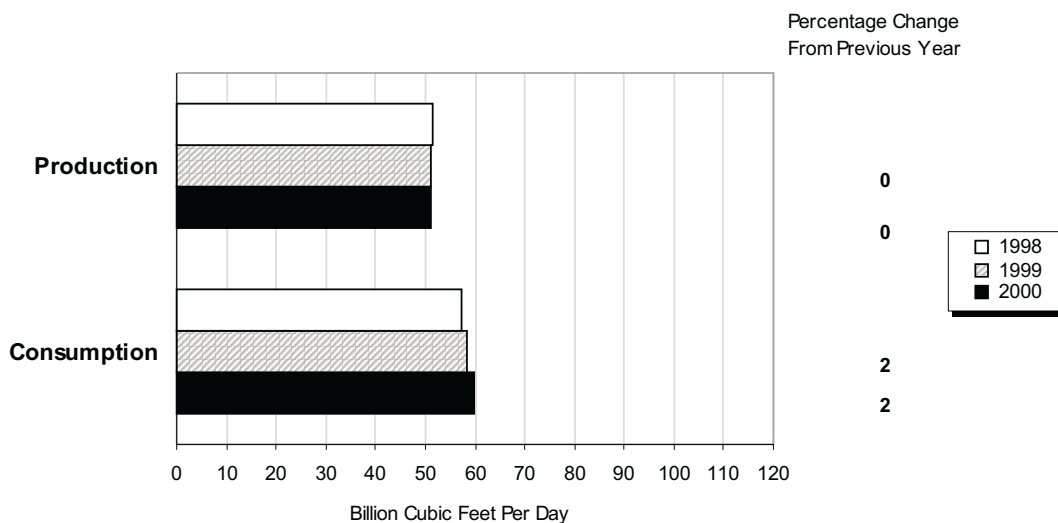
Appendices A (Explanatory Notes), B (Data Sources), and C (Statistical Considerations) of this publication provide further information about data sources, estimation procedures, annual adjustments, and sample design. These appendices may be helpful in evaluating the monthly data.

cilities is estimated to be 2,425 billion cubic feet at the end of November 2000. This is 21 percent lower than at the end of November 1999 and 15 percent lower than the average for this point in the heating season during 1995-1999. After three years of warmer-than-normal winter weather, temperatures in November 2000 returned to more normal levels and net storage withdrawals were estimated to be 293 billion cubic feet. These net withdrawals are more in line with the 272 and 264 billion cubic feet withdrawn in November 1995 and 1996, respectively, than the 31 and 32 billion cubic feet withdrawn in November 1998 and 1999, respectively.

- End-use consumption of natural gas for January through November 2000 is estimated to be 18,303 billion cubic feet, approximately 3 percent higher than during the same period in 1999. End-use consumption in November 2000, the first month of the 2000-2001 heating season, is 1,703 billion cubic feet, 8 percent higher than in November 1999 (Table 3). The return of normal temperatures after warm winters in recent years created increased demand for gas for space heating.

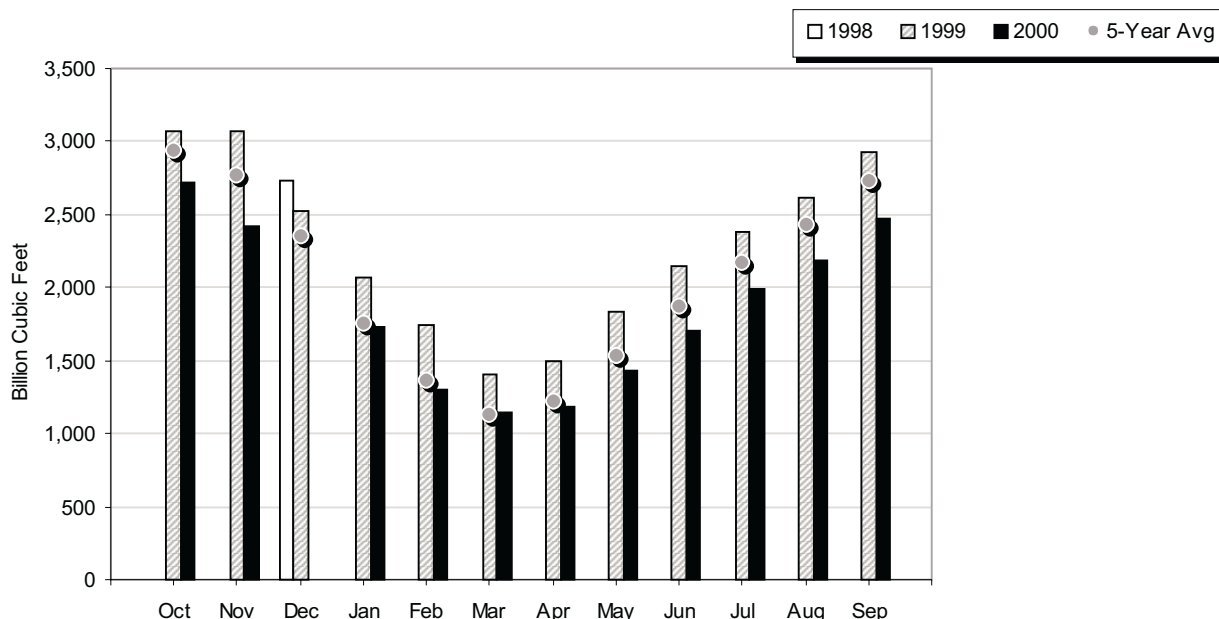
- Average natural gas wellhead prices have increased substantially in recent months from an estimated \$3.67 per thousand cubic feet in August 2000, to \$4.26 in September 2000, and \$4.61 in October 2000 (Table 4). The October 2000 estimate is 85 percent higher than that of a year ago when the wellhead price was \$2.50 per thousand cubic feet. Cumulatively, the average wellhead price estimated for January through October 2000 is \$3.22 per thousand cubic feet, 52 percent higher than for the same period in 1999 (Figure HI4).
- Settlement prices on the near-month futures contract at the Henry Hub continue to break records as the nation generally returns to normal winter weather after three warmer-than-normal winters. The December 2000 futures contract closed at \$6.016 per million Btu on November 28 (Figure HI5), the highest closing price ever for a futures contract in any month, and nearly three times the closing price of the December 1999 contract (\$2.120). The January 2001 contract began trading as the near-month contract on November 29, 2000. During the first full week of December, the highest settlement price for the January contract was \$8.584 per million Btu on December 8, 2000, a new

Figure HI1. Average Daily Rate of Natural Gas Production and Consumption, January-November, 1998-2000



Source: Table 2.

Figure HI2. Working Gas in Underground Storage in the United States, 1998-2000



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1995 to 1999 while the January average is calculated from January levels for 1996 to 2000. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

Source: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

near-month record. Prices for the January 2001 contract increased so rapidly during trading in early December that the New York Mercantile Exchange has revised its rules for the suspension of trading, increasing the trigger from a 75-cent change from the previous day's settlement price to a \$1.00 change, and reducing the suspension from 1 hour to 15 minutes.¹

- As exceptionally high natural gas prices and cold weather continue early in the 2000-2001 winter season, consumers have voiced their concern about rising prices in the residential natural gas marketplace. The December 2000 *Short-Term Energy Outlook (STEO)*, from the Energy Information Administration (EIA), estimates that expenditures this winter (October through March) for residential gas consumers in the Midwest will be about 50 percent more than last winter. EIA recently published a brochure,

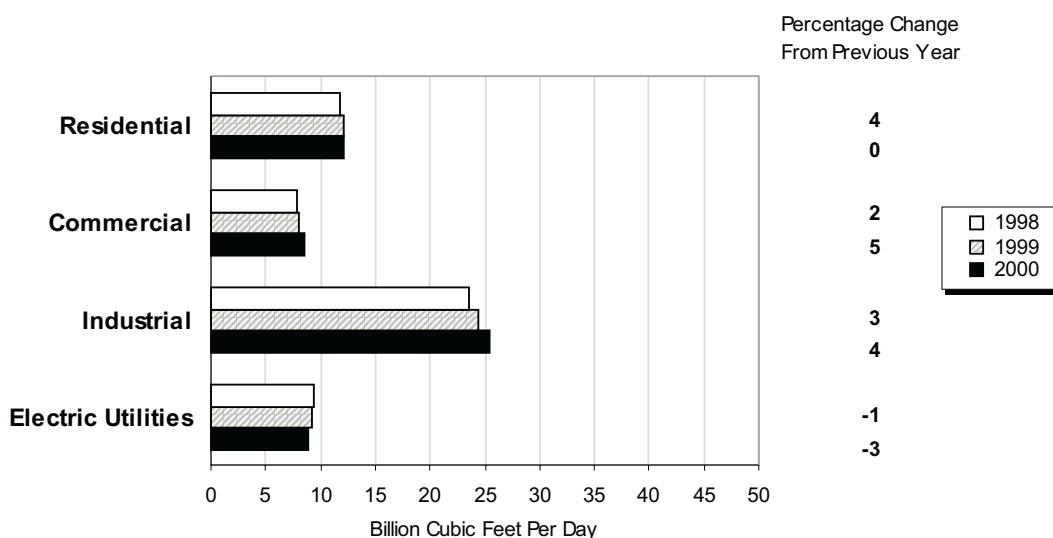
Residential Natural Gas Prices: What Consumers Should Know, which explains the main components of the residential price, why consumers will be paying more on average this winter, and ways in which consumers can lessen the impact of potentially higher bills. This brochure is available electronically through the "What's New" tab on the left of the natural gas section of EIA's website at <http://www.eia.doe.gov>. Paper copies are available from the National Energy Information Center (202) 586-8800.

EIA provides two electronic publications on its website, <http://www.eia.doe.gov>, that provide weekly updates on the natural gas industry. Users of natural gas information may find these reports especially helpful during the heating season. These reports are located in "Featured Topics" on the right side of the natural gas page.

¹ Energy Information Administration, *Natural Gas Weekly Market Update* (December 11, 2000). http://www.eia.doe.gov/oil_gas/natural_gas/data_publications/natural_gas_weekly_market_update/ngwmu.html.

- The *Natural Gas Update* is published Thursday afternoons and provides the most recent data released by the industry on natural gas storage as well as data on spot and futures prices for the first 3 days of the week. This report will be available throughout the 2000-2001 heating season.
- The *Natural Gas Weekly Market Update* is released each Monday afternoon. This report contains a more in-depth analysis of the events of the previous week and includes data on average temperatures for major gas-consuming metropolitan areas. During the heating season these metro areas are: Chicago, Kansas City, New York, and Pittsburgh. For the rest of the year the metro areas are: Dallas/Fort Worth, Houston, Los Angeles, Miami, New Orleans, and New York.

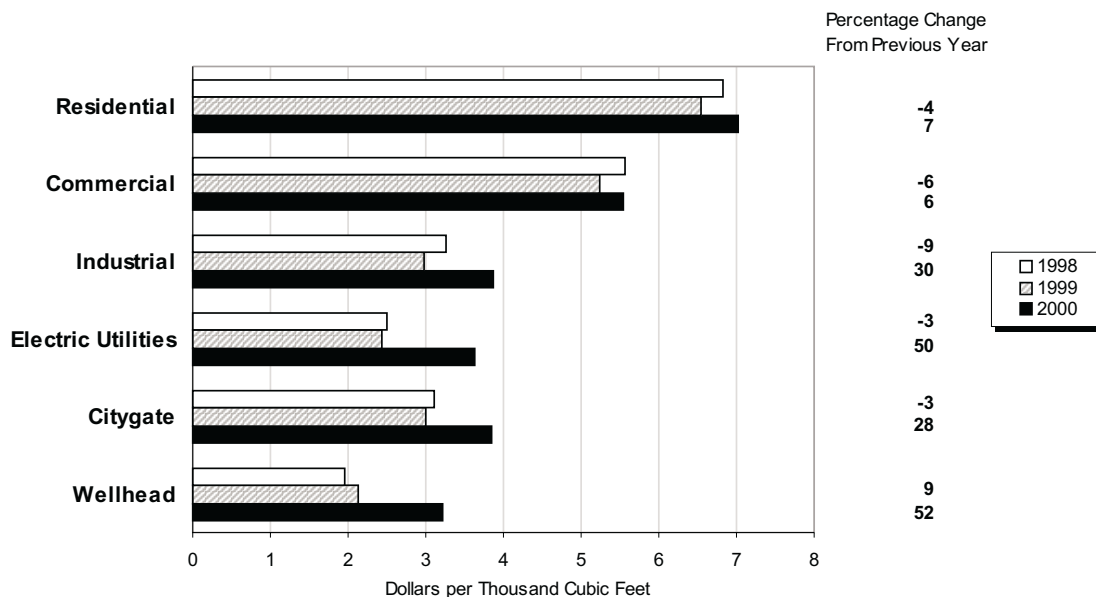
Figure HI3. Average Daily Rate of Natural Gas Deliveries to Consumers, January-November, 1998-2000



Note: Electric utilities reflect deliveries for January-August.

Source: Table 3.

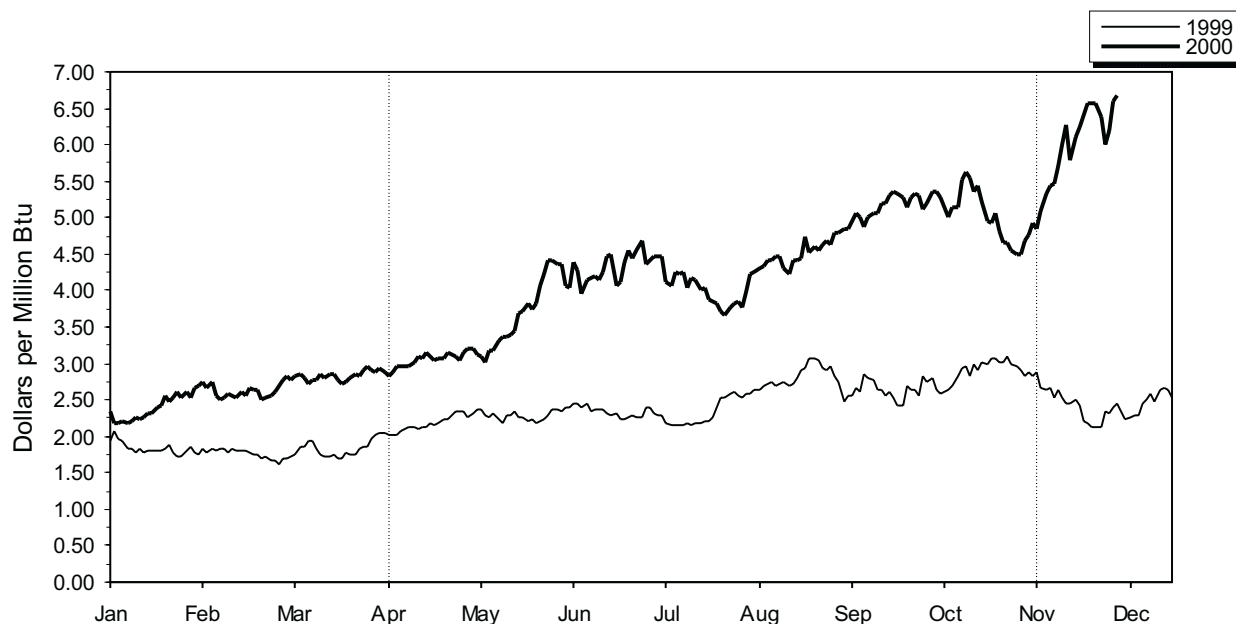
Figure HI4. Average Delivered and Wellhead Natural Gas Prices, January-August, 1998-2000



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of wellhead prices is 2 months ahead of the reporting of city gate, residential, commercial, and industrial prices. The reporting of electric utility prices is 1 month behind the reporting of city gate, residential, commercial, and industrial prices.

Source: Table 4.

Figure HI5. Daily Futures Settlement Prices at the Henry Hub



Note: The futures price is for the near-month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1 is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.

